

## Message Text

CONFIDENTIAL

PAGE 01 QUITO 05330 221327Z

45

ACTION ARA-10

INFO OCT-01 AF-06 EUR-12 EA-06 NEA-10 ISO-00 IO-10 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-03 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 FRB-03 PA-01 PRS-01 /138 W

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R 212226Z JUL 75

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 6447

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMCONSUL GUAYAQUIL

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LIMA

AMEMBASSY SANTIAGO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION OECD PARIS

C O N F I D E N T I A L QUITO 5330

E.O. 11652: GDS

TAGS: EFIN, ENRG, PFOR, EC

SUBJECT: GOE COMMITTED TO NEW OIL EXPLORATION

1. IN A WELL-ATTENDED JULY 17 SPEECH, MINISTER OF NATURAL  
RESOURCES LUIS SALAZAR COMMITTED THE RODRIGUEZ GOVERNMENT TO  
OFFER INCENTIVES FOR NEW PETROLEUM EXPLORATION. "IT IS  
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PAGE 02 QUITO 05330 221327Z

INDISPENSABLE", HE SAID, "THAT THE GOVERNMENT OFFER INCENTIVES

FOR PETROLEUM COMPANIES THAT WISH TO INVEST FOR EXPLORATION AND EXPLOITATION OF PETROLEUM. THERE MUST BE JUST PROFITS FOR NECESSARY TECHNOLOGY AND THE RISKS OF INVESTMENT CAPITAL". HE ADDED THAT THE GOVERNMENT WOULD NOT BE ABLE TO ATTRACT PETROLEUM FIRMS WITHOUT ESTABLISHING A SYSTEM OF GUARANTEES. SALAZAR PUT HIS PERSONAL PRESTIGE ON THE LINE BY PROMISING DEFINITE GOE PLANS TO ENCOURAGE NEW INVESTMENT WITHIN A FEW MONTHS. SALAZAR INDICATED THE PETROLEUM PRODUCTION BASED ON KNOWN RESERVES WOULD PEAK IN 1980 AND DECLINE RAPIDLY THEREAFTER. HE REVIEWED THE INVESTMENT PLANS OFFERED BY THE PRESENT PRODUCERS, BUT EMPHASIZED THAT NEW COMPANIES WOULD ALSO BE ENCOURAGED TO EXPLORE.

2. IN GENERAL, SALAZAR'S SPEECH WAS AN EXPLICIT AND COMPREHENSIVE STATEMENT OF GOE PETROLEUM POLICY. HE GAVE A DETAILED EXPLANATION OF THE ORIENTE AND THE GULF OF GUAYAQUIL. SALAZAR UNEQUIVOCALLY DEFENDED THE GOVERNMENT'S LOWERING OF PETROLEUM PRICES CITING CONSERVATION MEASURES IN CONSUMER COUNTRIES, THE LOWERING OF TANKER RATES AND THE WORLDWIDE EROSION OF PETROLEUM PRICES. HE SHOWED COMPARATIVE TAXES FROM OTHER OPEC COUNTRIES, DEMONSTRATING THAT THE GOE GOVERNMENT TAKE IS HIGHER THAN THAT OF OTHER OPEC MEMBERS.

3. EMBASSY WILL POUCH FULL TEXT OF SALAZAR SPEECH WHEN AVAILABLE.

4. COMMENT: MINISTER SALAZAR'S SPEECH REPRESENTS AN ENCOURAGING CHANGE IN GOE EXPLORATION POLICY, AND BY INFERENCE AN ACKNOWLEDGEMENT THAT EXPLORATION POLICIES OF HIS PREDECESSOR HAD BEEN MISGUIDED. HIS MINISTRY APPEARS TO HAVE BACKED OFF FROM THE FORCE INVESTMENT PROGRAM ANNOUNCED IN APRIL (QUITO 2486). THIS PLAN REQUIRED TEXACO-GULF TO COMPLETE THE DEVELOPMENT OF ALL THIRTEEN STRUCTURES IN ITS CONCESSION AND DECREED REVERSION TO THE STATE IF SUCH PLANS WERE NOT COMPLETED. STATE PARTICIPATION, PRODUCTION CONTROLS AND HIGH TAX RATES LED TEXACO-GULF TO PARE DOWN DEVELOPMENT PLANS AND EXPENDITURES.

5. EMBASSY CONVERSATIONS WITH MINISTRY OFFICIALS CONFIRM THAT THE MINISTRY IS NOW STUDYING WAYS BOTH TO ALLOW THE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 QUITO 05330 221327Z

PRESENT PRODUCERS TO INVEST FURTHER AND TO ENCOURAGE OTHER FOREIGN COMPANIES TO ENTER THE PETROLEUM EXPLORATION FIELD. AMONG INCENTIVES WHICH GOE COULD OFFER WOULD BE FURTHER PRICE REDUCTION OR MANIPULATION OF INDIRECT TAXES. THERE IS ALSO TALK OF DRASTICALLY REVISING CONDITIONS GOVERNING NEW EXPLORATION. IN ANY EVENT, GOE APPEARS FIRMLY AND PUBLICLY COMMITTED TO NEW EXPLORATION AND THIS REPRESENTS FUNDAMENTAL, AND LONG OVERDUE, SHIFT FROM ATTITUDES PREVA-

LENT DURING MANDATE OF SALAZAR'S PREDECESSOR CAPTAIN  
JARRIN.  
BREWSTER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM PRODUCTION, POLICIES, EXPLORATORY DRILLING, SPEECHES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
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**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOE COMMITTED TO NEW OIL EXPLORATION  
**TAGS:** EFIN, ENRG, PFOR, EC, (SALAZAR LANDETA, LUIS)  
**To:** STATE  
**Type:** TE  
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